

Staff Pharmacist Bonus Program

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OVERVIEW

The purpose of the pharmacy bonus is to recognize and reward the persons responsible for improving a store's pharmacy operation. The best evidence of a well-run pharmacy is the increase in prescriptions and pharmacy sales, which are the result of not only price, promotion, location and product, but also customer service, employee development, leadership and innovative ideas.

"Established Stores" refers to pharmacies 21 months or older prior to the first month of the current bonus period. In the case of a relocated store, "Established Stores" refers to pharmacies 18 months or older before the first month of the bonus period. A store is not "established" if there is an interruption in its operations due to major remodeling, natural disaster, substantial dilution or a change in operating departments. Walgreens management reserves the right to determine whether a store is "established."

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DEFINITION OF BONUS COMPONENTS

TWELVE MONTH SALES:

Means pharmacy department sales (both Rx and Rx miscellaneous) during the twelve month bonus period.

TWELVE MONTH UNADJUSTED SCRIPT (Number of Scripts):

Means pharmacy department scripts filled during the twelve month bonus period excluding any 90 day adjustments.

TWELVE MONTH ADJUSTED 90 DAY SCRIPT:

Means pharmacy department scripts filled during the twelve month bonus period including the adjustment for 90 day scripts that were filled.

PLAINTIFFS TRIAL
EXHIBIT
P-19529_00001

CONFIDENTIAL

WAG00000007

WAGFLDEA00000007

NOTE:

The bonus calculation is based on the figures for monthly prescription sales and scripts prepared by Walgreens Accounting Systems.

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ELIGIBILITY

To be eligible for a bonus, a staff pharmacist must be an active employee of Walgreens at the end of the bonus year. No bonus is earned if a staff pharmacist is separated from Walgreens during the bonus period for any reason, excluding retirement. If a staff pharmacist is assigned to a store for less than the full bonus period, or in certain locations has not worked a minimum of 30 hours in each week of the bonus period, the Results Department will prorate the bonus. Any special considerations must have written approval of the district manager and pharmacy supervisor.

A bonus does not accrue during a staff pharmacist's leave of absence. Staff pharmacists who work less than 30 hours per week are not eligible for a bonus.

To qualify for a bonus, a staff pharmacist must conform to Walgreens ethical standards during the entire bonus period. No bonus is earned if Walgreens determines that a staff pharmacist engaged in misconduct during the bonus period.

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BONUS FORMULA – ESTABLISHED

1) Primary

- a) Last Year's 12 month Rx Sales \$0 - \$200,000 X \$.0004
- b) Last Year's 12 month Rx Sales over \$200,000 X \$.00016
- c) Last Year's 12 month Adjusted Scripts Scripts X \$.004

2) Improvement

- a) Twelve month Adjusted Scripts this year minus twelve month Adjusted Scripts last year X \$.02
- b) "A" minus 2400 Scripts X \$.02 (*only on positive differences*)
- c) "A" plus "B" equals the improvement bonus

3) Total Staff Pharmacist Bonus Formula

- a) Primary Portion (1) plus Improvement Portion (2)

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BONUS CALCULATION EXAMPLE

Last Year's Rx Sales	\$13,159,761	This Year's Rx Sales	\$15,319,998
Last Year's Unadjusted Rx Scripts	189,341	This Year's Unadjusted Rx Scripts	227,756
Last Year's 90 Day Adjusted Rx Scripts	<u>16,800</u>	This Year's 90 Day Adjusted Rx Scripts	<u>19,800</u>
Last Year's Total Adjusted Rx Scripts	206,141	This Year's Total Adjusted Scripts	247,556

Base: Last Year's Rx Sales and Scripts

Last Year's Sales:	\$0 – \$200,000	\$200,000	x .0004	\$800
Last Year's Sales:	Over \$200,000	\$12,959,761	x .00016	\$2,074
Last Year's Scripts:		189341	x .004	\$757
Total Base Bonus				<u>\$3,631</u>

Improvement

Script Increase/Decrease:	(247,556 - 206,141)	=>41,415 x .02	\$828
Script Increase Over 2,400	(41,415 - 2,400)	=>39,015 x .02	\$780
Total Improvement Bonus			<u>\$1,609</u>

Total 12 Month Staff Pharmacist Bonus \$5,240

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BONUS FORMULA – NON-ESTABLISHED**4) Total Adjusted Scripts**

a) This year's Adjusted Scripts Scripts X \$.012

Example: 247,556 x \$.012 = \$2,971

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